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Kansas City Star (MO)

April 23, 2006

Section: I

Will credit scoring system make the grade?

We all grew up with the ABCs.

The three big credit bureaus are banking on that familiarity as they roll out their new credit scoring system. They say **VantageScore** makes it easier for businesses to judge the creditworthiness of consumers and for consumers to evaluate their own financial health.

But the system is so new it's hard to predict whether it will win acceptance. Some consumer experts worry it will confuse consumers.

The new system takes traditional three-digit credit scores and equates them to rankings of A through F, similar to the grading system used in school.

Specifically, the system gives an A to scores of 901 to 990, a B to scores of 801 to 900, a C to scores of 701 to 800, a D to scores of 601 to 700, and an F to scores of 501 to 600.

"The model developed works the same across all credit bureaus," said Donald Girard, a spokesman for Experian. In other words, Experian, Equifax and TransUnion are using the same computational procedures to reduce a consumer's history of loans and credit card debt to a simple number score.

In the past, scores didn't equate because each bureau used its own computational procedure. Your credit report might rate a 750 score at one bureau, 734 at another and 690 at a third.

Girard said businesses asked the bureaus to create a uniform scoring system to track millions of consumer files. He predicted the system's simplicity will make it "the preferred score" for lenders.

Nancy Nauser, president of the Consumer Credit Counseling Service of Missouri and Kansas, said she likes the idea of the bureaus using the same model. She said simplifying scores "is a good thing for consumers."

Still, she worries the new letter-grade model "could be very confusing" to consumers who have just become comfortable with numerical credit scores -- called **FICO** scores. Now they have to deal with two competing systems.

"They probably won't know what their creditors are using," she said.

FICO scores rate consumers on a scale of 300 to 850. Consumers with higher scores are viewed as better credit risks. **FICO** scores, introduced by the **Fair Isaac** Co. in the 1980s, are still the most commonly used scores.

Several Kansas City banks and credit unions say they will stick with **FICO** scores, even though the bureaus expect many lenders to switch to the new rankings.

Craig Watts, a spokesman for **Fair Isaac**, said his company is not worried, because the market for **FICO** scores is steadily growing.

"It's a headache for lenders to switch credit scores," Watts said.

He said he expects that lenders will test the new scores, but he argues that the overlay of letter grades lacks the precision of an actual numerical score.

Another concern is that even though the bureaus will use the same procedure to compute the data, credit scores could still differ. That's because the bureaus don't always have the same consumer data to work with. Some creditors supply information to one bureau but not to another.

"It's a new recipe but the same ingredients," said Jean Fox, a spokeswoman for the Consumer Federation of America.

Experts say that to reduce confusion, the best advice for consumers is still to ask their lenders and creditors what scores they use and to personally keep tabs on their credit reports.

The government requires each credit bureau to give consumers one free credit report annually. That free program is not affected by the new credit scoring system.

---- INDEX REFERENCES ----

INDUSTRY: (Credit (1CR60); Banking (1BA20); Retail Banking Services (1RE38); Financial Services (1FI37); Consumer Finance (1CO55))

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Black Enterprise

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Volume 36; Issue 12

MAKING THE GRADE

Holmes, Tamara E

HEADNOTE

CREDIT MANAGEMENT

HEADNOTE

New scoring system introduced by credit agencies

When you think about your credit score, **Fair Isaac** Corp.'s three-digit **FICO** score most likely comes to mind. But if the three credit-reporting agencies have their way, a new grading system may soon take effect.

The new scoring model, called "**VantageScore**," is the joint effort of Equifax Inc., Experian Ltd., and TransUnion L.L.C. Commercial lenders are testing the system to determine whether they will use it to guide their lending decisions. The score will be available for consumers to purchase later this year.

While lenders currently use various scoring models to rate consumers' creditworthiness, the **FICO** score is the most widely used. If the lending community adopts the **VantageScore** (www.vantagescore.com), consumers may have two numerical scores that value the same criteria differently.

IMAGE TABLE

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WHAT'S YOUR SCORE?

For example, the **VantageScore** gives consumers a score between 501 and 990, while **FICO** scores range between 300 and 850, so a 700 on one system will have an entirely different meaning on the other. The **VantageScore** system will also give consumers a corresponding letter grade of A, B, C, D, or F. "I think it's going to be very difficult for many consumers to understand and remember the differences between the two scales," says Stephen Brobeck, executive director of the Consumer Federation of America.

While both Experian and TransUnion say letter grades will make it easier for consumers to understand their scores, Equifax has chosen not to issue letter

grades, though the agency will still use the same numerical system as Experian and TransUnion, says David Rubinger, a spokesman for Equifax. "It brings real consistency to the scoring, and that helps your creditors make better decisions," says Maxine Sweet, vice president of public education for Experian.

But critics say that won't stop consumers from having multiple **VantageScores** since each credit bureau will apply the formula to its own data. "You'll still have three credit scores if you have different information in TransUnion than you have in Equifax," says Renee D. Crenshaw, co-author along with Anthony B. Miles of Everything You Wanted to Know about Credit but Were Too Ashamed to Ask (Rising Star Foundation; $29.95).

Even if lenders ultimately adopt the **VantageScore**, that does not mean they will stop using **FICO** scores, says Craig Watts, a spokesman for **Fair Isaac**. Plus, obstacles to widespread acceptance of the **VantageScore** remain. "We've introduced new scores in the past that have not done well with lenders in part because lenders say it costs too much money and time to convert their existing operating system to accommodate the new score," says Watts.

Rather than focus on the differences in the scoring models, Miles suggests that consumers learn and practice basic credit management. "Even though the scoring systems may weigh some things differently, the basic principles still apply," says Miles. "For example, consumers still have to pay their bills on time."

-Tamara E. Holmes

---- INDEX REFERENCES ----

COMPANY: FAIR ISAAC CORP; EQUIFAX INC; EXPERIAN CORP

INDUSTRY: (Credit (1CR60); Banking (1BA20); Retail Banking Services (1RE38); Financial Services (1FI37))

Language: EN

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KEYWORDS: (Credit scoring); (Credit bureaus); (Credit management); (Lending)

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Cardline

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FAIR ISAAC'S PROFITS TUMBLE ON SLUGGISH DOMESTIC GROWTH

Fair Isaac Corp. reported today a 29% drop in net income to $26.0 million for its fiscal third quarter ended on June 30, down from $36.6 million in the same period last year despite a slight climb in revenue, driven by international interest in the company's consumer credit **FICO** score. The company reported third-quarter revenue of $207.1 million versus $203.8 million in the same period last year. In a conference call, CEO Thomas Grudnowski blamed the profit decline on several one-time charges, including a share-based compensation expense of $6.7 million and $3.4 million in severance expenses from eliminating about 200 jobs.

Grudnowski said the global **FICO** score is being used in 11 countries, and downplayed the domestic threat from VantageScore, the credit score calculated by the three largest credit-reporting bureaus. "We haven't seen an impact at all," he said. Revenue from scoring products rose to $43.7 million from $40.7 million. **Fair Isaac** plans to develop scoring products that do not rely on the data gathered by credit-reporting bureaus, such as a score for the "underserved" market, said Grudnowski. Overall bookings for the company tumbled to $94.5 million from $143.3 million for the same period last year, and international accounted for 55% of bookings, compared to 22% a year ago. "The growth in North America is slowing, there's no question about it, and we're picking it up by having faster growth internationally," Grudnowski said. **Fair Isaac** shares fell to $33.08 or 3.16% in afternoon trading. http://www.cardforum.com http://www.sourcemedia.com

---- INDEX REFERENCES ----

COMPANY: FAIR ISAAC CORP

NEWS SUBJECT: (Corporate Financial Data (1XO59))

Language: EN

OTHER INDEXING: (**FAIR ISAAC**; **FAIR ISAAC** CORP; **FICO**) (FAIR ISAAC; Grudnowski; Thomas Grudnowski)

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2006 WLNR 17984083

Star Tribune (Minneapolis, MN)

October 13, 2006

Fair Isaac sues credit reporting agencies ; The company alleges that the union among Equifax and other credit bureaus is anticompetitive and unfair to its FICO system.(BUSINESS)
Lee, Thomas

Byline: Thomas Lee; Staff Writer

When the country's three top credit reporting agencies in March joined forces to challenge Fair Isaac Corporation's dominant FICO credit-scoring system, the Minneapolis company largely downplayed the threat.

Fair Isaac executives said Experian, TransUnion and Equifax's VantageScore system - a single score from the three groups that essentially shut out Fair Isaac from the process - would have a difficult time dislodging FICO from its dominant perch in the credit-scoring business. Experian and the other credit agencies sell FICO scores to banks and lenders to determine eligibility for consumer loans and credit cards. Now eight months later, Fair Isaac has changed its tone and its tactics. The company late Wednesday filed a lawsuit against the credit reporting agencies, alleging that VantageScore violates antitrust laws. By jointly offering VantageScore, the agencies are in the position to shut out FICO and other competitors from the credit scoring market, according to papers filed in U.S. District Court in Minneapolis.

"We have competed against the credit reporting agencies' scoring products for many years, and we are happy to compete on a level playing field," said Tom Grudnowski, chief executive of Fair Isaac. "However, the recent agreement between the three powerhouse agencies unfairly threatens our ability to compete, and inhibits the ability of consumers and lenders to enjoy the benefits of continued innovation, choice and competition in the credit information marketplace."

In separate statements, TransUnion and Experian called the lawsuit "without merit" while Equifax accused Fair Isaac of stalling.

"We anticipated that Fair Isaac would consider litigation in an attempt to slow customer adoption of VantageScore," the Equifax statement said.

The lawsuit underscores the complex relationship between Fair Isaac and the credit reporting bureaus. Equifax, TransUnion and Experian provide credit report information to Fair Isaac, which uses the data to develop an algorithm, or a complex mathematical equation, for each agency. The agencies use that algorithm to calculate individual FICO scores. In return, the agencies pay Fair Isaac a royalty for every credit score its algorithm calculates and they sell to banks and other

lenders. But with VantageScore, the three agencies have developed their own algorithm. Should VantageScore take off, Fair Isaac's nearly $160 million in royalty revenue - 20 percent of its total sales - from the three agencies is threatened. Still, the company argues that not all algorithms are created equally and that its are superior. For years, Fair Isaac's FICO system, which develops a credit score based on facts such as a consumer's payment history and debt ratio, has dominated the lending industry. Banks and mortgage companies use FICO scores to set interest rates and to determine what, if any, loan a consumer should get. Fair Isaac's lawsuit argues that the bureaus can use their monopoly on consumer credit data, on which FICO scores are based, to promote VantageScore at the expense of FICO. The company also argues the bureaus' joint control of VantageScore allows them to unfairly coordinate strategies and set prices on what lenders pay for credit scores.

"The joint creation, ownership and control of VantageScore's products is designed to move the market towards VantageScore products," the lawsuit says, "not through competition on the merits but through anticompetitive conduct that excludes third-party providers of scoring algorithms, like Fair Isaac, from the market."

The bureaus argue that by challenging the dominance of FICO, VantageScore will lead to more competition, not less.

"VantageScore offers choice to a marketplace that demanded more options," TransUnion said in a statement.

Thomas Lee - 612-673-7744

---- INDEX REFERENCES ----

COMPANY: BUILDING MATERIALS CORPORATION NO 1; FIRST AMERICAN REAL ESTATE SOLUTIONS; EXPERIAN INFORMATION SOLUTIONS INC; FAIR ISAAC CORP; EXPERIAN; EQUIFAX INC

INDUSTRY: (Credit (1CR60); Banking (1BA20); Financial Services (1FI37); Retail Banking Services (1RE38))

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1 of 1 DOCUMENT

American Banker

October 13, 2006 Friday

SECTION: CARDS; Pg. 7 Vol. 171 No. 197

LENGTH: 600 words

HEADLINE: Fair Isaac: VantageScore Practices Anticompetitive

BYLINE: Kate Berry

BODY:

Fair Isaac Corp., the maker of FICO scores, filed an antitrust lawsuit Wednesday accusing three major credit bureaus and their joint venture VantageScore LLC of using unfair and anticompetitive practices to harm the FICO brand.

The lawsuit, filed in U.S. District Court in Minneapolis, where Fair Isaac is based, alleges that Equifax Inc., Experian Information Solutions Inc., and TransUnion LLC have the ability "in most cases" to set the price a lender pays for a FICO score, as well as for their venture's VantageScore.

Tom Grudnowski, Fair Isaac's chief executive, said in a press release that the pricing advantage "unfairly threatens our ability to compete."

"The credit agencies are using their position to drive adoption of their own score to the detriment of our competing FICO score product," Mr. Grudnowski said. The credit bureaus are "in conflict with their obligations to distribute our product," he said.

John Emerick, Fair Isaac's treasurer and a vice president, said in an interview that the three credit bureaus each have far-reaching contracts that prevent his company from selling directly to banks and financial services

companies.

"There's nothing in the contracts that says they can't sell their own score or another score -- and they've been selling their own scores for years," Mr. Emerick said. But "the contracts do prevent us from selling our scores directly to the financial services firms."

Peg Smith, an executive vice president at Experian, of Costa Mesa, Calif., said the bureaus addressed potential antitrust violations when they formed the venture.

"We sought the advice of outside counsel who advised us on the most appropriate structure for the LLC," she said. "The LLC has no control over the sales or marketing of VantageScore. It is simply for the development and maintenance of the intellectual property."

Each of the three credit agencies continues to compete "aggressively," and has separate sales and marketing teams, she said.

Equifax, of Atlanta, said in a prepared statement that the lawsuit lacks merit and was an attempt to slow consumer adoption of VantageScore.

"Contrary to Fair Isaac's claims, VantageScore in fact increases competition in the marketplace, and provides credit grantors and consumers with more choice, not less," Equifax said. "Equifax has received extremely positive feedback from its customers who believe that VantageScore offers a more consistent and better performing scoring system."

TransUnion, of Chicago, said in a prepared statement that it is "not surprised that Fair Isaac is threatened by competition." A call to VantageScore, which is based in Stamford, Conn., was not immediately returned.

Last month the venture hired Barrett Burns, a veteran of Charles Schwab Corp., Ford Motor Credit Co., and Citibank, as its first president and chief executive. The bureaus have said that more than 400 lenders are testing or

evaluating VantageScore, though none have adopted the system.

Mr. Grudnowski has said that no other scoring system has ever unseated FICO scores, not even NextGen, an updated version that Fair Isaac introduced in 1999.

VantageScore, which was launched in March, differs from FICO in several ways, most notably in assigning letter grades from F to A, along with a numeric range from 501 to 990. In the lawsuit, Fair Isaac said the similarity to FICO's trademarked scale of 300 to 850 can confuse consumers.

The bureaus have said that VantageScore uses a sample of fresh data from 15 million credit files and can drill down for better data on "thin files," or consumers with little or no credit history.

http://www.americanbanker.com http://www.sourcemedia.com

GRAPHIC: photo, Grudnowski

LOAD-DATE: October 12, 2006

9 of 22 DOCUMENTS

American Banker

May 7, 2007 Monday

SECTION: MORTGAGES; Pg. 18 Vol. 172 No. 87

LENGTH: 889 words

HEADLINE: A Year On, Bureaus Tout Vantage Score's Progress

BYLINE: Harry Terris

BODY:

The proprietors of VantageScore, the alternative credit-scoring system unveiled a little more than a year ago, say they are pleased with the inroads it has made.

Fair Isaac Corp. of Minneapolis, which sells its dominant FICO system through the same three credit bureaus that founded VantageScore Solutions LLC, said recently that the competition has not affected its revenue.

But the bureaus' Stamford, Conn., joint venture says it anticipated a lengthy adoption process. And the bureaus, which are marketing the system, have been dribbling out reports of developing sales relationships.

"We're very pleased with the rapid pace of market acceptance," Barrett Burns, VantageScore Solutions' chief executive officer, said in an interview last week. "It's a long sales cycle. ... I understand that," and so do the bureaus. "We wouldn't expect companies to flip a switch. A lot is riding on scoring systems. They need to be very careful in testing. We encourage that."

The venture plans to launch an advertising campaign in the next few weeks, Mr. Burns said.

Fair Isaac's CEO, Mark Greene, said in an April 25 conference call: "We have not actually seen significant traction to date from the VantageScore offering. Clearly, the existence of that product is an added stress in our sales and marketing effort, but to date we actually don't see any significant market momentum for that offering."

The day before, the Atlanta credit bureau Equifax Inc. declined to provide specific numbers on the VantageScore system's financial impact.

Moreover, Richard F. Smith, Equifax's chairman and CEO, said that VantageScore "is not going to materially change the financial picture of Equifax over the coming years, either from a margin perspective or from a revenue perspective."

However, he said that Equifax had signed up "60 major financial institutions and retail institutions in various stages of evaluation." Recently "a top five bank endorsed the use of VantageScore in their internal risk evaluation procedures, and four institutions have already implemented VantageScore into their risk underwriting process."

In an April 17 conference call, Experian Group Ltd. painted a similar picture.

"We now have about 1,300 clients who are buying VantageScore, and nearly all of our strategic clients are testing it," said Paul Brooks, the Dublin company's chief financial officer. "We see revenue increasing each month, but we have been at pains for some time to stress that we do not see VantageScore having a material impact on our numbers in the short or medium term. This is a long-term play."

In January, Mr. Brooks had numbered Experian's VantageScore clients at 800, with 400 "repeat users." At that time Fay Dodds, Experian's director of investor relations, said, "We have not yet had a major client switch entirely over to VantageScore, but we have had small users - credit unions and the like - who can use VantageScore as their point of decision."

Bruce Simpson, an analyst with William Blair & Co., said adoption by "one or more marquee customers" would be a milestone for VantageScore. "There is a lot of validation and testing by a number of different clients but very little actual conversion so far. It's just too early for clients to have ... gotten comfortable with it."

Updates by the credit bureaus on the scoring system's progress have been "pretty consistent with what they've been saying since the creation of the product," Mr. Simpson said. Though "it's very difficult to get customers who are entrenched in a particular product to switch," VantageScore may get a boost from its motivated distribution channels. "You have an interested party in selling them - your primary distribution agents are selling their own product."

Still, Mr. Simpson said he believes there is room for both VantageScore and FICO, and even for Fair Isaac to continue to work with the credit bureaus.

"There are plenty of manufacturers who use indirect sales channels where the indirect sales force not only resells someone else's product, but also sells their own," he said.

Ron Totaro, Fair Isaac's vice president for global scoring solutions, said it is constantly updating its scoring models "to ensure that they continue to deliver the optimal risk predictions" for lenders. "We're in the midst of one of these cycles right now."

Fair Isaac remains "very close partners with the credit bureaus, and it's our desire ... to continue working closely with them," he said.

The antitrust suit that Fair Isaac filed against VantageScore in October in a federal court was "a single event," Mr. Totaro said. "We do remain committed to growing our relationships with the bureaus."

When asked about changing course with regard to the lawsuit, Mr. Greene, who succeeded Thomas G. Grudnowski as Fair Isaac's CEO in February, said: "It's a subject of frequent and ongoing management conversation. There's nothing to announce ... at this point."

The fundamental points on which the bureaus are trying to sell VantageScore include a more intuitive scoring model and the ability to produce scores on "thin-file" borrowers. Fair Isaac also provides scores on consumers who do not have traditional credit records through its FICO Expansion product, and it sells more detailed risk assessments through its NextGen FICO offering.

http://www.americanbanker.com/ http://www.sourcemedia.com/

GRAPHIC: photo, Smith, Burns

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